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FOREIGN ASSISTANCE

USAID Faces Challenges Implementing Regional Program in Southern Africa

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G A O
Accountability ★ Integrity ★ Reliability

Contents

Abbreviations

USAID	U.S. Agency for International Development
ISA	Initiative for Southern Africa
SADC	Southern Africa Development Community

GAO
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

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September 30, 1999

The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Benjamin A. Gilman
Chairman, Committee on International Relations
House of Representatives

To support U.S. strategic and economic interests in southern Africa and recognizing that many of the problems facing the countries of the region transcend national boundaries, the U.S. Agency for International Development (USAID) created the Initiative for Southern Africa in 1994. The initiative is designed to address problems from a regional rather than a country perspective and to identify solutions that go beyond what can be done by any one country.[1] The Initiative for Southern Africa is implemented by USAID's Regional Center for Southern Africa. Programs under the initiative are carried out with African partners, primarily the Southern Africa Development Community.[2] The Initiative for Southern Africa has three strategic objectives: (1) to promote an integrated regional market, (2) to accelerate adoption of sustainable agriculture and natural resource management approaches, and (3) to strengthen indigenous southern African organizations to promote democratic values and institutions in the region. You expressed concern about the efficacy of the initiative to address the problems facing countries in the region.

Specifically, this report outlines (1) the specific activities USAID's Regional Center conducted to implement the Initiative for Southern Africa, (2) the extent to which this regional program complements USAID's bilateral programs in the region, and (3) the challenges the Regional Center faces in implementing the Initiative for Southern Africa.

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[1]The Initiative for Southern Africa covers Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

[2]The Southern Africa Development Community is an organization representing 14 nations in southern Africa with a total population of 200 million.

GAO/NSIAD-99-237 Foreign Assistance

In completing this review, we met with officials and collected and analyzed information from USAID, the U. S. Department of State, and several multilateral and research organizations. In addition, we gathered information from African government and nongovernmental sources during our March 1999 trip to Botswana, South Africa, and Zimbabwe. See appendix I for a detailed description of the scope and methodology of this study.

Results in Brief

Since it was created in 1994, the Regional Center has undertaken a number of activities designed to achieve the Initiative for Southern Africa's three strategic objectives. These activities included efforts aimed at achieving a more integrated regional market through reducing trade barriers, development of model national transport and telecommunications laws that improved and helped standardize national regulatory frameworks across the region, and efforts to improve the supply of higher-yielding seeds and new agricultural products for consumers. In addition, the Regional Center provided grants to southern African organizations to increase their capacity to advocate for democratic practices in the region, to advance regional linkages among key organizations, and to further define democratic norms in the region.

At the broadest level, the Initiative for Southern Africa complements USAID's bilateral programs in that the activities are focused on similar development objectives. We did not find instances where there were conflicting objectives. Recently, USAID has taken several steps to encourage closer coordination between bilateral missions and the Regional Center.

The Regional Center faces several important challenges in carrying out the objectives of the Initiative for Southern Africa. It must work with 12 different countries, each with different political systems and levels of economic development. In addition, regional data necessary to measure program impacts are lacking, and regional groups that must play a critical role in the program have limited human and institutional capacity. Based on the evidence available, it is not clear to what extent the Regional Center will be effective in addressing the issues of economic development, agriculture and natural resource management, and the lack of strong democratic institutions in the southern Africa region. Given that solutions to many of the problems facing southern Africa go beyond what can be done by any one country and that outcomes from any initiative are highly

dependent on cooperation among the countries in the region, the Initiative for Southern Africa seems to be a reasonable approach.

Background

With the end of the apartheid system of racial separation in South Africa in 1994, U.S. policy in southern Africa shifted from opposing this system to supporting economic growth and the movement toward democracy in the region. However, the countries of southern Africa face political instability, weak economies, and degradation of natural resources. Recognizing the growing U.S. political and economic interest in southern Africa and that many of the problems facing the region transcend national boundaries, USAID created the Initiative for Southern Africa (ISA). The ISA's overall goal is to promote equitable sustainable growth in a democratic southern Africa. Since ISA was created in 1994, USAID has spent $247 million on the ISA's three strategic objectives: $129.1 million on activities to increase market integration among countries in the region; $112.2 million to accelerate adoption of sustainable agriculture and natural resource management approaches; and $5.4 million to strengthen indigenous African organizations to promote democratic values and institutions in the region (see fig. 1 for a map of the region.) The ISA is implemented by USAID's Regional Center for Southern Africa, located in Gaborone, Botswana.

Figure 1: Africa: Countries Covered by the Initiative for Southern Africa
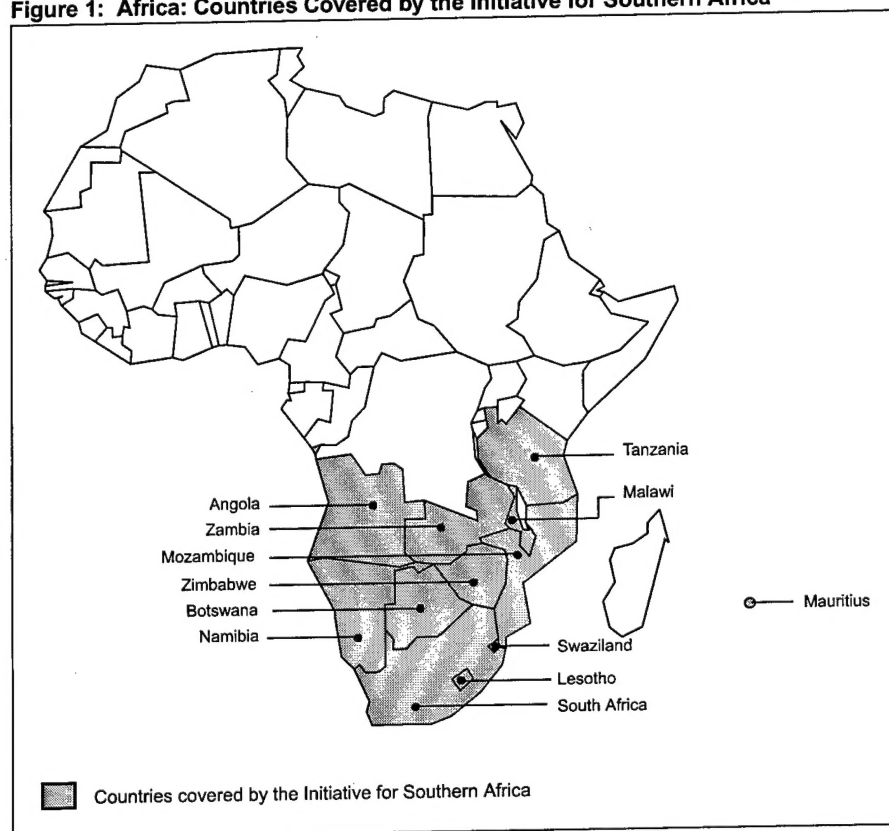
Source: GAO analysis based on information provided by USAID.

The ISA includes two funds: the Southern Africa Regional Democracy Fund and the Southern Africa Enterprise Development Fund. USAID established the Democracy Fund to encourage and sustain regional efforts to promote the democratization of southern African nations. Through the Democracy Fund, the ISA awards grants to southern African organizations and networks that work to strengthen democratic values, processes, and institutions. The Democracy Fund has a 22-member project advisory committee that is comprised of Africans prominent in civil society and living throughout the region. The project committee assists in planning, implementing, and overseeing the fund, and it recommends grantees, while the Regional Center is responsible for overall program management, including monitoring grant performance and providing final approval of grantees. U.S. embassy and mission staff located in southern African

countries nominate the project committee members and evaluate grant applications from the country in which they are located.

The Southern Africa Enterprise Development Fund, incorporated in December 1994 and located in Johannesburg, South Africa, is a U.S.-sponsored, private, not-for-profit investment company. The Enterprise Fund is designed to increase participation in the regional market—an ISA objective. The fund provides capital to help strengthen and expand the number of small- and medium-sized enterprises in the region owned by previously disadvantaged southern Africans. In March 1995, USAID and the Enterprise Fund entered into a grant agreement that capitalized the fund with $100 million. USAID provided an additional $8 million for administrative expenses. The Enterprise Fund's 14-member Board of Directors is composed of distinguished members of the U.S. and African business communities. USAID's primary responsibilities are to monitor the grant agreement and act as a nonvoting observer on the Board of Directors. At the end of its grant agreement with USAID in 2003, the Enterprise Fund is charged with developing a liquidation plan that will transfer the Fund's assets to other nonprofit entities, return the assets to the U.S. government, or perform a combination of the two actions.

Most of the Regional Center's activities are developed and implemented in collaboration with African partners. The Regional Center's key African partner is the Southern African Development Community (SADC). SADC is a regional organization that was formally organized in 1992 by southern Africa governments to bring economic prosperity, development, and stability through regional trade liberalization and political and economic integration.[3] SADC implements some ISA projects, particularly those dealing with market integration. SADC is organized into 19 sector coordinating units, each located in and headed by a different SADC member state. The units are responsible for leading SADC efforts in specific sectors such as industry and trade, or water. A small Secretariat, located in Gaborone, Botswana, is responsible for overall coordination and liaison activities.

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[3]SADC's member states are Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, South Africa, Tanzania, Zambia, and Zimbabwe.

The Regional Center Has Undertaken Many Activities in Pursuit of the ISA's Objectives

In the 5 years since the ISA was announced, the Regional Center has undertaken a number of activities under each of its three strategic objectives: promoting an integrated regional market, accelerating adoption of sustainable agriculture and natural resource management approaches, and strengthening indigenous southern African organizations to promote democratic values and institutions in the region. These activities have included providing technical assistance, funding, advocacy, and capacity building. The Regional Center has also worked behind the scenes to resolve disputes between countries. African government officials and others we interviewed in the region believed that the Regional Center has made important contributions related to its strategic objectives. However, given the scope and complexity of this effort, achieving the ISA's overall goal of promoting equitable sustainable growth in a democratic southern Africa will be a long-term effort.

## The Regional Center Has Taken Initial Steps to Develop a Southern Africa Regional Market

The Regional Center has worked to develop a regional market by providing support to reduce trade barriers and increase participation in the regional market, to improve the regional infrastructure, and to build consensus for regional integration. African government officials and others we interviewed in the region believed that the ISA program has made important contributions in these areas. However, integrating markets is a long-term process involving a myriad of specific steps to remove long-standing impediments to free trade among countries in the region, such as a lack of standard banking, accounting, and customs procedures; insufficient energy, telecommunications, and transportation infrastructure; and established restrictive trade and investment policies. According to USAID, removal of trade and investment barriers and movement toward a more integrated market will enhance the prospects for economic growth because a larger, more open market will be more attractive to investors and will enhance economies of scale.

To reduce trade barriers and increase participation in the regional market, the Regional Center helped write the SADC Protocol on Trade,[4] an agreement that establishes an overall framework for regional economic integration. The agreement addresses the reduction and eventual elimination of import and export duties, customs procedures, trade laws, and intellectual property rights, among other issues. The Regional Center is working to secure its passage by SADC member governments by the end of 2001.[5] In addition, the Regional Center financed the development of a legal and policy framework for finance and investment that is a first step toward harmonizing central bank policies and regulations, as well as audit and accounting standards, throughout the region. The Regional Center is also helping countries standardize customs procedures and has helped implement a regional truckers' insurance payment mechanism to ensure that truckers pay trucking insurance only once instead of each time a border is crossed. Once fully implemented, these activities are expected to facilitate more efficient and speedier border crossings. In addition, the ISA broadened participation in the market through the Southern African Enterprise Development Fund by making capital available to indigenous entrepreneurs who could not obtain long-term financing from commercial sources. From March 1995 through June 1999, the Enterprise Fund had invested over $18 million in 16 indigenous enterprises in seven countries. (See fig. 2 for a depiction of an enterprise that received funding—the Eerste River Medical Center in Cape Town, South Africa.)

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[4]The trade agreement has been ratified by over half of the SADC member states needed for enforcement.

[5]Activities are taking place toward implementation of the trade protocol. For example, a key provision of the agreement is the removal of tariffs within the region. Toward this end, SADC member countries meet once a month to negotiate tariff reductions, and the Regional Center's ISA program provides technical assistance to aid countries in this process.

Figure 2: Intensive Care Unit at the Eerste River Medical Center, Cape Town, South Africa
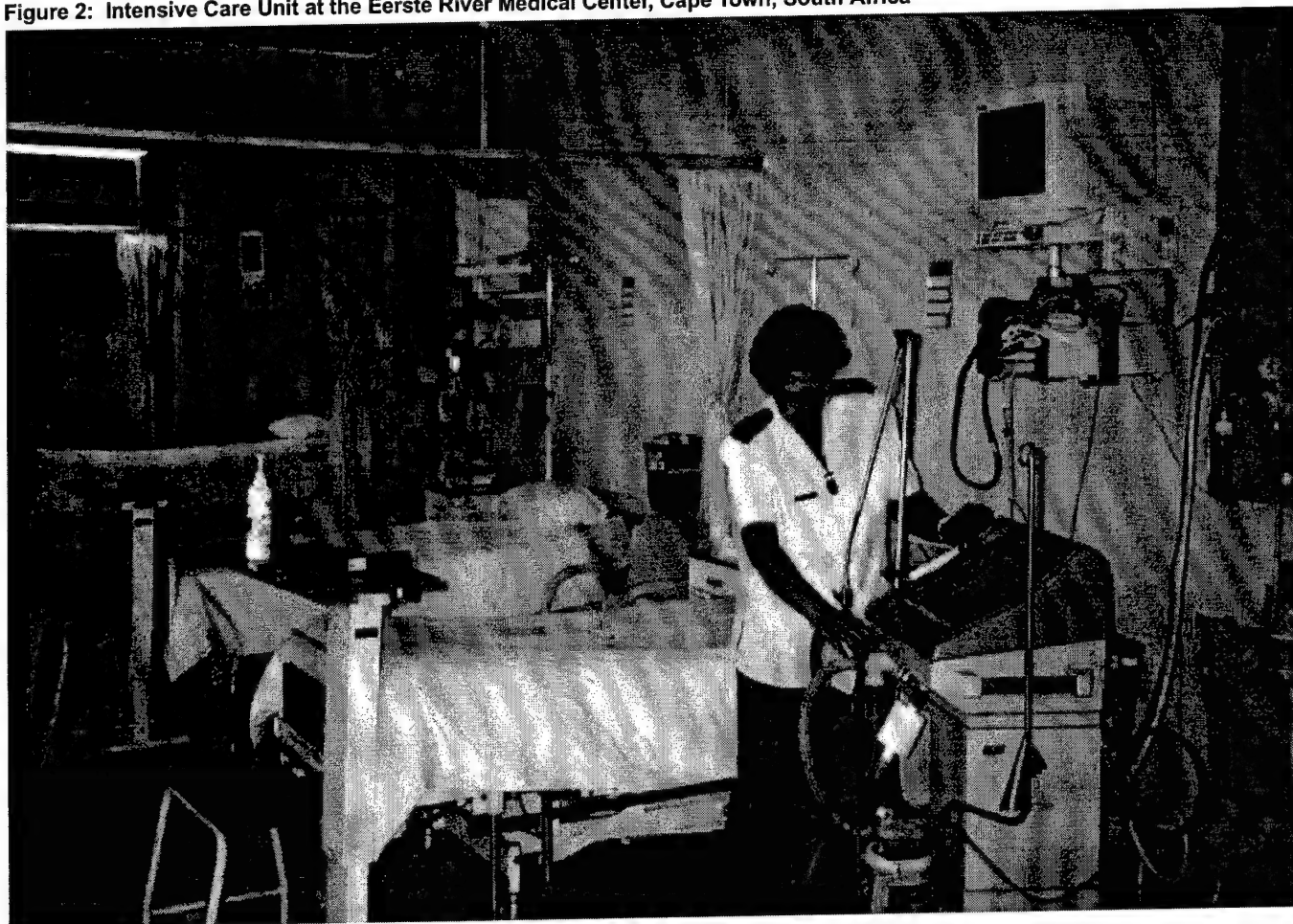
To improve the southern Africa regional infrastructure, the Regional Center helped write SADC's Protocol on Transport, Communications, and Meteorology. This agreement is a first step toward reducing costs and enhancing the efficiency of these sectors by harmonizing the policies, rules, and procedures among participating countries. For example, the agreement addresses truck axle load limits (which will extend the life of the regions' roads, thereby reducing costs); and cellular phone standards (which will improve customer service and simplify operations for phone companies, thereby improving their bottom line and efficiency). The Regional Center assisted in writing and implementing model national transport and telecommunications laws and provided technical assistance to establish

independent national telecommunications regulatory authorities in eight countries. These activities were designed to promote private sector investment and to harmonize policies necessary for regional integration. Also, the Regional Center provided funding, equipment, and technical assistance to establish a computerized rail tracking system that will enable railroads in the region to operate as a single, integrated system.

To build consensus for regional integration, the Regional Center conducted advocacy activities with national governments and private sector associations. These activities included holding workshops and providing training to explain the benefits of privatization and integration and supplying analyses of the impact of integration on countries' economies. According to the Regional Center, its advocacy efforts have resulted in a shift from a regional debate over whether integration should be pursued to a debate over how integration should occur, when it should occur, and under what institutional arrangements it should develop. For example, the public and private sectors in Mozambique were not supportive of the government's signing the SADC Protocol on Trade. To persuade them to do so, the Regional Center brought these sectors together to discuss the issue and provided information about the benefits of the agreement to the country. Ultimately, the public and private sectors changed their positions to support the trade agreement.

Activities to Improve Agriculture and Natural Resource Management

The southern Africa region is faced with the need to balance the conservation of its natural resource base while at the same time feeding and providing jobs for a rapidly increasing population. Nearly two-thirds of the region's population is dependent on agriculture for income and employment. However, most countries in the region lack the necessary infrastructure in rural areas, investment in agriculture research, and policies and regulations to increase production and protect the natural resources. The Regional Center sought to address these challenges by helping southern Africans manage their environment in a sustainable way, while increasing their income and employment. To accelerate the adoption of sustainable agriculture and natural resource management approaches, the Regional Center helped establish systems for transferring improved agricultural technologies and disseminating best practices across the region. It also helped establish the policy frameworks necessary for putting new approaches in place and for providing incentives for their adoption. The Regional Center's activities in each of these areas included the following:

To establish systems for transferring technologies and disseminating best practices across the region, the Regional Center supported regional research partnerships such as the Sorghum/Millet Improvement Program and the Southern Africa Root Crops Research Network. These programs developed high-yielding and increased drought- and disease-resistant seeds and crops like cassava that will improve crop sustainability and food security. In addition, the Regional Center funded the successful efforts of the Heartwater Regional Research Project to develop a vaccine for a tick-borne disease that costs the region $80 million annually in livestock losses and pesticide purchases.[6] In addition, the Regional Center contributed to capacity building of agriculture institutions in the region by supporting the training of over 300 agriculture research scientists and technicians in crop production, insect and disease control, and other key disciplines like research planning and management. According to Regional Center officials, training has resulted in a new focus on results and improved definition of agricultural research priorities that reflect farmer and consumer needs. Because of the critical role that rural people play in the stewardship of wildlife and the environment, the Regional Center helped form 13 community-based organizations in Botswana, covering more than 50 villages, and trained them to conduct income-producing, sustainable activities like photo safaris and harvesting grassland products, such as thatching. For example, according to the Regional Center, the income of 400 women in one area of Botswana rose by 500 percent between 1996 and 1998 as a result of their harvesting and marketing of grassland products. The Regional Center is playing an important role in transferring this best practice approach to natural resource management across the region. (See fig. 3 for an illustration of the leaders of a community-based natural resource project funded by the ISA.)

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[6]USAID support for these research activities preceded the ISA. For example, USAID has supported the Sorghum/Millet Improvement Program since 1984, the Southern Africa Root Crops Research Network since 1993, and the Heartwater Regional Research Project since 1985.

Figure 3: Leaders of an ISA-Supported, Community-Based Natural Resource Management Project in Chobe, Botswana
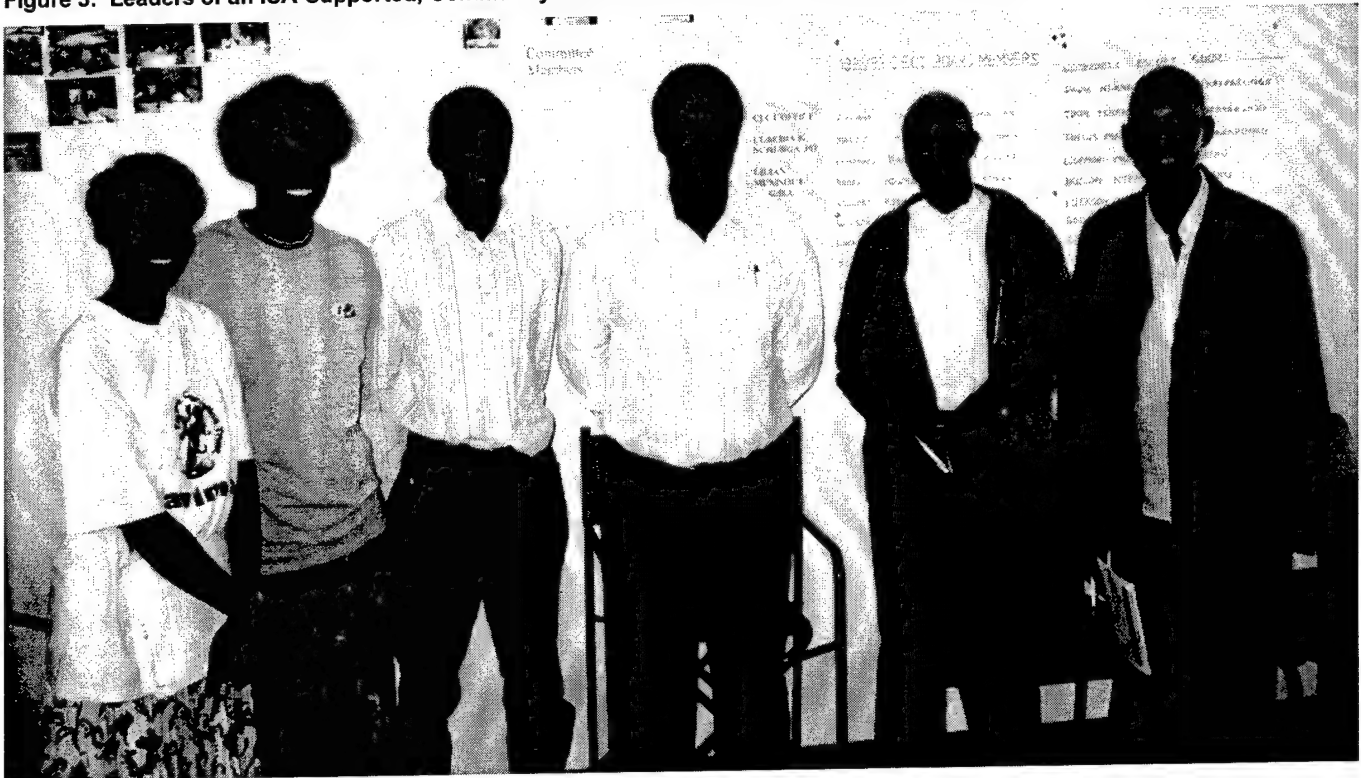
To help establish the policy framework necessary to implement new programs, the ISA funded the development of national, community-based, natural resource management policies in Namibia, Zambia, and Zimbabwe. For example, with ISA support, Zambia passed a Wildlife Act that created and empowered community resource boards to manage wildlife in game management areas. These new policies will enable villagers to stay on their land and earn income in an environmentally sustainable way instead of being forced to migrate to urban areas to find employment. The Regional Center helped the government of Botswana to draft a unified set of policies and legislation for community-based natural resource management that clarified the existing conflicting policies, laws, and guidelines. Regional Center officials expect the legislation to be passed next year. In addition, the Regional Center helped draft the SADC Protocol on Wildlife Management that provides a framework for managing the region's wildlife, and supported studies that contributed to the development of Namibia's policies on water conservation, marine fisheries, and land degradation.

Strengthening Organizations Working to Improve Democratic Practices in the Region

The Regional Center's democracy program is predicated on the view of USAID officials that stable democracies are promoted by focusing on promoting rule of law and respect for human rights; fair and open political processes; free and active civil societies; and transparent, open, and accountable government institutions. According to the Democracy Fund Project Committee, many citizens in southern Africa do not fully understand their rights and responsibilities. In addition, they note that in some countries, human rights continue to be violated; elections are not always free and fair; governments are not accountable and intimidate the media; and judiciaries, legislatures, and civil society are weak. The executive branches and the ruling parties are often indistinguishable. Even when there is a genuine commitment on the part of these entities to increase the participation of civil society in governance, nongovernmental organizations are often uncertain how to play a role because of their limited experience with democratic processes.

The ISA's Southern African Regional Democracy Fund makes grants to southern African organizations and networks to strengthen their ability to advocate for democratic practices, to increase regional linkages among key organizations and institutions, and to further define African democratic norms. Government officials and others we interviewed in the region agreed that the ISA's approach, which is primarily targeted at strengthening the capacity of civil society, is making a positive contribution in this area. Through June 1999, the Fund financed 24 grants totaling $4 million.[7] Grantees have included human rights, media, educational, governmental, research, and labor organizations. The activities of these organizations have included training of parliamentarians and election monitors on democratic norms and conflict mediation; promoting regional standards and values related to ethics, democratic governance, and accountability; improving access to information by civil society organizations through electronic networking, publishing newsletters, and disseminating uncensored regional news; providing equipment and training; and funding research, for example, on the administration and fairness of elections in the region.

To increase regional advocacy for democratic processes, the Democracy Fund provided a grant to the Media Institute of Southern Africa, which funded the successful defense of journalists against charges of character

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[7]Funding primarily takes the form of grants, but cooperative agreements and purchase orders are also occasionally used.

defamation in Lesotho, Tanzania, and Botswana. These cases established legal precedents and helped to define acceptable standards for press freedom in other countries in the region. For example, in Zimbabwe, a Member of Parliament brought charges against a local newsmagazine for defamation regarding a story that questioned the Member's accumulation of property. The charges were upheld, and the magazine faced liquidation. The Media Institute's Legal Defense Fund supported an appeal that eventually overturned the initial judgment, and the magazine survived. The Media Institute also assisted its national chapters in Botswana, Namibia, and Zambia in organizing protest marches against the arrest and alleged torture of two Zimbabwean journalists and in presenting petitions to the Zimbabwean ambassadors in those countries. The authorities ultimately released the journalists. (See fig. 4 for an illustration of the founders of the Media Institute of Southern Africa.)

Figure 4: Founders of the Media Institute of Southern Africa, an ISA Grant Recipient

To increase linkages among key organizations to strengthen their ability to influence democratic practices, the Fund financed organizations, such as the Botswana Center for Human Rights, to develop networks. This organization pulled together 72 member organizations and established the first Regional Southern African Human Rights network. By working together, Regional Center officials believed that these organizations would become stronger and more effective at advocating for democratic reform and holding governments accountable.

To further define African democratic norms, the Democracy Fund supported the Cooperative for Research and Education in its efforts to develop a training manual for election monitors and trained 160 monitors in four countries. Regional Center officials expected that this training and information would contribute to the development of election norms in southern Africa.

The Regional Center Undertook Other Activities to Promote Regional Cooperation

In addition to the Regional Center's activities to implement the ISA, Regional Center officials said that they worked behind the scenes with government officials to resolve several disputes between countries. While not directly related to the ISA program, the activities were intended to facilitate cooperation among countries in the region. For example, the Regional Center helped mediate a dispute between Botswana, Namibia, and other stakeholders regarding customs and transit charges on the Trans-Kalahari Highway. This mediation, according to Regional Center officials, resulted in a dialogue that is leading to an acceptable solution to the disagreement. The Regional Center also helped mediate a border dispute between Botswana and Namibia that resulted from Botswana's erection of a fence at the border to keep out diseased cattle. The fence also prohibited the migration of wildlife—a danger to the wildlife's well-being and reproduction. Working with government officials, the Regional Center was instrumental in Botswana's decision to remove critical portions of the fence.

The ISA Program Complements Bilateral USAID Programs in the Region

The ISA complements USAID's bilateral programs[8] in the region because they have similar development objectives. Seven of USAID's eight bilateral missions in southern Africa have ongoing democracy and governance activities,[9] seven missions conduct activities related to trade and investment, and six have activities in the area of agriculture and natural resources. As a result, the ISA's activities for market integration, agriculture and natural resource management, and increased democratic performance complement ongoing, national-level activities of USAID's bilateral missions. In some cases, the Regional Center and bilateral missions have worked together on specific projects. For example, the Regional Center and the USAID mission in Mozambique collaborated on a project designed to improve the efficiency, reliability, and competitiveness of the surface transportation infrastructure. The project was funded by the Regional Center and implemented by the bilateral mission. Because of the positive outcomes when the Regional Center and bilateral missions have worked together, USAID's Africa Bureau has taken steps to increase coordination. In the last 2 years, USAID has initiated biannual meetings of mission directors to bring together all the directors in Southern Africa. The last such meeting, in April 1999, was held jointly with the U.S. ambassadors from the region. In addition, USAID has discussed the possibility of adding "support for regional programs" in the mission directors' management contracts.

USAID's Regional Center Faces Challenges in Implementing the ISA

The Regional Center faces several important challenges in carrying out the objectives of the ISA. One is the challenge of working with 12 different countries to implement its programs, each with different political systems and levels of economic development. Another is the limitation of the Regional Center's African partners in human and institutional capacity such as experience, training, skills, financing, and equipment. These limitations made it difficult for the Regional Center to work through existing southern African organizations to achieve its goals. In some cases, there were no appropriate institutions with which the Regional Center could partner. Finally, regional economic data frequently have not existed, and national

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[8]USAID has bilateral missions in Angola, Malawi, Mozambique, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe.

[9]The USAID mission in Zimbabwe has proposed a "democracy" objective as the cornerstone of its new strategic plan.

level data have generally been inadequate to develop baselines and performance indicators that are necessary to determine program progress and impact.

Working With Multiple Countries Is Complex

Unlike bilateral mission programs, which focus on one particular country, the ISA's portfolio covers 12 different countries—each with different governments, political systems, national economies, natural resource endowments, and civil society networks. Regional Center staff must keep track of political and economic activities in all 12 countries and face the logistical difficulties of dealing with multiple host governments and numerous other governmental and nongovernmental organizations. The absence of a single, authoritative entity to represent the region, like a national government, means that there is no common development plan. There also are limited mechanisms through which regional stakeholders can coordinate programs and exchange ideas. While USAID officials said that SADC has the potential to provide such leadership, they noted that its current organizational structure, staffing, financial resources, and operational policies do not support such a role. As a result, the Regional Center has to play a major role in coordinating and conducting ongoing consultation with a disparate set of regional stakeholders—each with different priorities and ideas—in order to plan and develop programs. Furthermore, the Regional Center has to establish working relationships and communicate on a continuing basis with the 12 U.S. diplomatic missions in the region, in addition to other donors.

The challenge of investing in multiple countries in the region has contributed to the Southern African Enterprise Development Fund's inability to disburse its loans to indigenous entrepreneurs within the time frame established by USAID when it created the Fund. For example, to learn of promising investment opportunities, investment staff and the Board of Directors need to be familiar with the local business cultures and operating environments and must establish relationships with local entrepreneurs. Conducting these activities in multiple countries has been extremely complex and time-consuming and even more difficult in countries that did not have a well-developed market economy. Furthermore, according to a 1998 Coopers and Lybrand, L.L.P., evaluation prepared for USAID, hiring and retaining qualified and knowledgeable investment staff has been challenging because there are few people who have had experience in investment banking, and those that did have been in high demand. These difficulties have contributed to the Enterprise Fund's slow start—26 months elapsed between the announcement of the Fund's

formation in 1994 and its first investment in June 1997. Due to the delays and difficulties, Fund management believed they would be unable to invest all of its capital by the expiration of the grant agreement with USAID, so they have negotiated a 4-year extension. Consequently, the administrative costs associated with managing the Fund will be more than the $8 million USAID originally predicted.

Limited Capacity of African Partners Hinders ISA Activities

Another challenge faced by the Regional Center was the limited human and institutional capacity of its indigenous partners to deal with complex regional issues. According to Regional Center officials, nongovernmental organizations and private sector associations lack financial resources, experience, and technical skills, which has hindered their ability to effectively influence government policies. For example, one of the key elements of the ISA's goal to promote integration of regional markets is to encourage private sector participation in national economies. However, according to Regional Center officials, industry associations did not have the resources to commission research that could have provided them with the information and data they needed to show governments the impacts of their policies and regulations on industry.

Regional Center officials suggest that national ministries, the judiciary, and other national government bodies have often lacked experience and technical and administrative capabilities to implement government reforms and carry out other functions like negotiating regional agreements. For example, they noted that national officials have had limited background in handling problems that have had to be solved in order to achieve market integration such as reducing tariffs, enabling privatization of state-owned enterprises, and establishing regulatory authorities. In some cases, these issues involved important national tradeoffs in the short term to achieve longer-term gains.

In some cases, there have been no institutions with which the Regional Center could partner. For example, the Regional Center had originally wanted to locate the Democracy Fund within an indigenous organization promoting democracy in the region, but it found no organization with a suitably broad mission and the required capabilities.

SADC, the core institution responsible for implementing regional development and a key partner to the ISA, has also had a lack of human and institutional capacity such as technical expertise, experience, and resources. As a result, Regional Center officials note that SADC was unable

to take the lead in advocating for passage of regional agreements in the face of inertia from national governments. These agreements establish the framework for cooperation among governments in particular economic sectors. Because SADC members agreed to establish a small Secretariat in an attempt to avoid a large and expensive bureaucracy, the Secretariat consisted of only a few people with very limited resources for the policy analysis or data-gathering activities that were necessary to advocate change among its members. SADC's sector-coordinating units, led by national governments, were only as strong as the resources that were available in the particular national government. These resources differed significantly among countries. For example, according to Regional Center and African officials we spoke with the industry and trade sector-coordinating unit, located in Tanzania, was weak institutionally and did not have the financial and human resources to promote passage of SADC's agreement on trade. The coordinating unit's capacity was so limited that the unit could not afford to compensate its staff. As a result, the Regional Center decided to provide advisors directly to the SADC Secretariat to support its efforts to establish a trade policy unit.

Lack of Quality Regional Data Impedes Assessment of the ISA's Impact
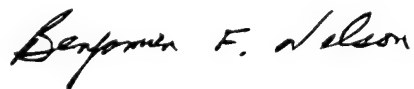
Regional data to develop baseline and performance indicators for the ISA program have, in many cases, been nonexistent, and national level data, when they existed, were often not consistent, reliable, or comparable. As a result, the Regional Center has had to conduct primary data gathering in all 12 countries. For example, in order to measure national product price convergence—a yardstick of progress toward achieving regional economic integration—the Regional Center had to obtain consumer price index data from each country. Not only was this logistically difficult and expensive, but also countries in the region used different price structures to compile their consumer price indexes, which made comparability impossible. Some countries used retail prices and some used wholesale prices. Adding to the complexity, the items that make up the "national baskets" did not contain identical goods. These problems have contributed to delays in the Regional Center's efforts to develop baseline and indicator data and to finalize its overall performance-monitoring plan. As a result, 5 years after the ISA was announced, there still is limited empirical evidence to quantitatively measure the Regional Center's progress toward achieving the ISA's strategic objectives.

Agency Comments

USAID provided written comments on a draft of this report. USAID stated that the report clearly describes the complexities of working regionally and added that our observations needed to be considered within a broader perspective. USAID stated that the benefits of regional integration in southern Africa outweighed the inherent difficulties in achieving that goal and that many transboundary issues can only be addressed at the regional level. USAID also provided information on progress that has been made toward achieving an integrated regional market and noted continued improvements in the effectiveness of their regional partners. We did not revise the report because we believe that it provides sufficient context and accurately reflects the progress that has been made toward market integration in southern Africa and the capabilities of USAID's regional partners. USAID's response is reprinted in appendix II.

We are sending copies of this report to appropriate congressional committees; the Honorable Madeleine K. Albright, Secretary of State; the Honorable J. Brady Anderson, Administrator of USAID; and other interested parties. We will also make copies available to others on request.

Please contact me on (202) 512-4128 if you or your staff have any questions about this report. Other GAO contact and staff acknowledgments are listed in appendix III.

Benjamin F. Nelson, Director
International Relations and Trade Issues

Objectives, Scope, and Methodology

At the request of the Chairman of the Senate Foreign Relations Committee and the Chairman of the House Committee on International Relations, we reviewed the U.S. Agency for International Development's (USAID) Initiative for Southern Africa (ISA). In particular, we examined (1) the specific activities USAID's Regional Center conducted to implement the ISA, (2) the extent to which the ISA program complements USAID's bilateral programs in the region, and (3) the challenges the Regional Center faces in implementing the ISA program

To examine ISA activities conducted by the Regional Center, we visited three countries in southern Africa: Botswana, South Africa, and Zimbabwe. We selected Botswana because the Regional Center is located there and South Africa because it received the largest amount of U.S. assistance of all countries in Africa in recent years. In addition, it is the location of the headquarters of the Southern Africa Enterprise Development Fund. We selected Zimbabwe as the third country at the suggestion of congressional committee staff. We interviewed officials from USAID's Africa Bureau and the Regional Center, including the Director and teams managing activities under the strategic objectives for market integration, agriculture and natural resource management, and promotion of democratic values in the region. In addition, we met with the ISA's African partners, including officials from African governments, nongovernmental organizations, the Southern Africa Development Community (SADC), and members of the Southern Africa Democracy Fund Committee. We also met with field-based officials from the European Union and the World Bank. We reviewed various documents, including USAID program documents for each strategic objective, USAID's congressional presentations, strategic objective reporting cables from the field to headquarters, quarterly monitoring reports, strategic planning documents, the grant agreement that codified the relationship between USAID and SADC, USAID's annual reports, "Regional Center's Results Review and Resource Requests," the ISA/Regional Center Strategic Plan for 1997-2003, and cost data for the ISA. We also made on-site visits to two ISA projects–the Heartwater project in Harare, Zimbabwe, and the Community Based Natural Resource Management project in the Chobe Enclave, Botswana.

We also reviewed the activities of the Southern Africa Enterprise Development Fund. We reviewed the Enterprise Fund's program documents such as its business plans, annual reports from 1995-99, investment information, articles of incorporation, financial statements, and external evaluations done by Financial Markets International in March 1999 and Coopers and Lybrand, L.L.P., in February 1998. We also discussed the

Enterprise Fund's operations with members of the Board of Directors and the management team and with USAID's Center for Development Information and Evaluation. We visited two companies in which the Enterprise Fund had invested: PASH Stores (located in Soweto, South Africa), and the Eerste River Medical Center in Cape Town, South Africa

To determine the extent to which the ISA complements the activities of USAID's bilateral missions, we interviewed Regional Center and USAID Africa Bureau officials and USAID bilateral mission directors in Zimbabwe and South Africa and their mission teams for democracy, natural resource management, and economic development. In addition, we reviewed USAID's "Results Review and Resource Requests" from eight bilateral missions, strategic planning policies, a cable outlining bilateral mission support for the regional program, and an external study entitled *The Southern African Regional Trade and Investment Strategic Framework Study* prepared in 1998 by Coopers and Lybrand, L.L.P.

To examine the challenges the Regional Center faces in implementing the ISA program, we met with experts on regionalism and African development in the U.S. government and international organizations. We interviewed officials from USAID, the Department of State, and the Council on Foreign Relations. We also met with officials from the World Bank, the European Union, SADC, and African non-governmental organizations. In addition, we reviewed ISA program documents from 1995 to 1999, a USAID Inspector General report, and external evaluations of the program conducted by Coopers and Lybrand, L.L.P.

The information on foreign laws in this report does not represent our independent legal analysis but is based on interviews and secondary sources.

We performed our review from January to August 1999 in accordance with generally accepted government auditing standards.

Comments From the U.S. Agency for International Development

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

September 17, 1999

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
United States General Accounting Office
441 G Street, N.W. - Room 4039
Washington, D.C. 20548

Dear Mr. Hinton:

I am pleased to provide the U.S. Agency for International Development's (USAID's) formal response to the draft GAO report entitled "Foreign Assistance: USAID Faces Challenges Implementing Regional Program in Southern Africa" (September 1999).

USAID very much appreciated working with the GAO in an in-depth examination of our regional program in southern Africa. This effort afforded us the opportunity to review our goals for the region and our means of achieving these goals, and confirmed for us the importance of continuing to help southern Africans develop an integrated, prosperous, and stable region. While the GAO report contains no recommendations, we would like to make two points that we believe help to place the findings of the report in a broader context.

First, we feel strongly that the benefits of regional integration in southern Africa far outweigh the difficulties inherent in achieving that goal. The GAO report clearly describes the complexities of working regionally. We believe, however, that many important transborder issues can only be addressed at the regional level.

Southern Africa offers probably the best hope of demonstrating how African countries can improve their economic viability and the competitiveness of their markets by banding together. Market integration in southern Africa is feasible and, indeed, is already underway. In many cases the economies

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of the region complement one another; the region's countries are
linked by physical infrastructure and strong trading patterns;
and the region has made important strides toward the adoption of
common policies, laws, standards, and business practices, in no
small measure due to the activities funded under our regional
program. We expect that, before the end of this year, the
region will obtain the one final vote it needs to bring into
force a trade agreement that will create a single marketplace in
southern Africa. USAID has been instrumental in promoting this
agreement, and we continue to explore new ways of accelerating
its implementation. Because of this move toward integration,
the 200-million-person southern African marketplace, which
already provides America with important raw materials, such as
metallic ores and petroleum, will become even more attractive
and more accessible to private interests in the United States
and elsewhere.

Southern Africa is important to the United States not only
as a marketplace, but also from the perspective of peace and
security. To the extent that southern Africa achieves a degree
of prosperity and stability--conditions encouraged by regional
integration--the United States can avoid potentially damaging
conflicts and costly interventions. USAID's regional program,
working in concert with its bilateral activities, promotes
democratic principles and good governance, as well as coordinated
management of water and other critical natural resources, that
contribute to regional security and stability.

Second, our regional partners in southern Africa continue
to improve their effectiveness. The Southern African
Development Community (SADC) is an increasingly viable partner
for U.S. development assistance, and SADC's capabilities have
steadily improved in recent years as it has gained more
experience with regional integration. We value SADC for
providing an environment where governments, the private sector,
and the donor community can forge policy changes critical to
integration. This public-private sector partnership, strongly
supported by the regional program, has significantly increased
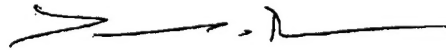the widespread acceptability of regional integration efforts.

Regional private sector organizations, also important USAID
partners in southern Africa, are playing increasingly larger
roles in our regional programs. Several important private
sector-led industry and trade associations have emerged,
including regional groupings of truckers, railroad operators,
clearing and forwarding agents, electricity companies, and
telecommunications regulators and providers. These groups are

finding innovative solutions to transborder issues and are
helping to implement them, often by investing their own
financial resources.

Again, we appreciated working with the GAO on this
evaluation. Thank you for the opportunity to respond to the GAO
draft report and for the courtesies extended by your staff in
the conduct of this review.

Sincerely,

Terrence J. Brown
Assistant Administrator
Bureau for Management

GAO Contact and Staff Acknowledgments

GAO Contact

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